



March 8th, 2016

Members of the Michigan Senate Local Government Committee,

We would like to take this opportunity to bring to your attention some of the key concerns we have with Senate Bills 630 and 631.

The ability for local governments to impose a judgment levy has been a part of Michigan law since 1887 (130 years). Given the limited ability for municipalities to raise revenue, this rarely used policy was put in place to provide a method of paying and funding judgments against local units. A judgment levy is generally used in extreme circumstances, where insurance coverage is either nonexistent or the award exceeds policy limits. In the private sector, creditors have the ability to seize assets to pay for a judgment when the debtor does not have money available. This is not an appropriate or reasonable option for local governments. The assets that a local government owns, such as police cars or fire trucks, are critical public assets that provide an essential service for members of the community.

The Michigan Supreme Court has held as recently as 2000 in *American Axle v. City of Hamtramck* that the judgment levy is constitutional, may be levied without a vote, and does not count toward a city's constitutional, statutory, and charter tax rate limitations. This is because the Headlee Amendment "grandfathers in" taxes that were authorized to be levied before the enactment of Headlee. Judgment levies are not the only tax like this; taxes that support trash removal, libraries, Act 345 fire and police pensions, and voted debt may be levied with or without a vote and do not count against a city's tax rate limitations.

The impact of these bills will potentially cripple the financial operations of local units that are faced with a large judgment and will push more communities into severe financial distress, emergency management, or even bankruptcy. Judgment levies are typically used in extreme circumstances where the city has been burdened with a major judgment. The City of Inkster, for example, has a 6.92 mill judgment levy which represents one third of the City's operating millage. Without the ability to impose judgment levies, the cuts that would be required to pay a judgment of this size are beyond what any local government could absorb. Ironically, if the local unit were to make such cuts, service levels would be so depleted that the likelihood of further claims is likely increased.

Michigan has already implemented broad governmental immunity statutes which serve to limit claim exposures. In addition, most local governments do carry substantial insurance policies, but when claims fall outside of those protections, local governments and their citizens need this protection to ensure continuity of government and provision of essential services. We urge your opposition to Senate Bills 630 and 631, which are unnecessary and contrary to current laws regarding voter approval.

Thank you for your time.

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